

Energy Insider by William Engdahl

Another WPPSS plant bites the dust?

The Washington State fight over nuclear power is turning into a nationwide precedent on the survival of the industry.

The federal Bonneville Power Administration head, Peter Johnson, has told the United States' largest municipal nuclear group, Washington Public Power Supply System (WPPSS), that another nuclear project, Unit 1, should be deferred for a possible five years. If approved by the Power Supply System directors as expected, this will leave only units 2 and 3 of the five original 1,200 megawatt plants remaining. Units 4 and 5 were mothballed, then cancelled on Jan. 22 as a result of a campaign by Wall Street and environmentalists.

The latest deferral move, according to sources at BPA, was the result of high interest rates, tight credit markets, and rate-payer discontent. Although WPPSS and BPA officials believe they are doing everything possible to salvage a portion of needed future electric capacity for the four-state Northwest, the utility group is being profiled into a carefully laid trap by a coalition of Wall Street investment banks and some of the country's most infamous anti-nuclear activists.

This operation could trigger a snowballing default by the 88 member municipalities of WPPSS which would make the 1975 New York crisis pale.

I-394, passed last November, would require the Power Supply System to gain state voter approval each time it needs to borrow for the next phase of nuclear construction on the remaining plants. It was the

brainchild of a slick coalition of anti-nuclear activists led by one Blair Butterworth, a Seattle "political consultant" who played a key role in the defeat of former pro-nuclear Gov. Dixie Lee Ray and is close to nuclear-freeze patriarch George Kennan.

The Washington State Attorney General, working in coordination with the top Washington, D.C. law firm of former HEW Secretary Joseph Califano, will go to court at the end of June to defend Initiative 394 against a constitutional challenge being brought by several banks and most recently by the U.S. Department of Justice at the request of the Department of Energy.

Unit 2 is more than 90 percent complete. It needs an estimated \$588 million to be finished by next year. Unit 3 is about 50 percent and 1 is almost 60 percent complete. The vital aluminum and aerospace industries of the Northwest depend on secure supplies of abundant power from WPPSS for the future.

I have names and details of how the scare operation was run that led to cancellation of 4 and 5. Merrill, Lynch was the lead underwriting house on the September 1981 WPPSS bond sale that totalled a whopping \$750 million. As lead underwriter, the firm's commission on WPPSS bond sales alone ran an estimated \$5 million. At the same time, certain Merrill, Lynch employees were busy in an effort to force cancellation of at least 4 and

5, a slight conflict of interest.

Last summer, Merrill Lynch municipal bond analyst Howard Sitzer reportedly invited Ralph Cavanagh, an attorney with the anti-nuclear Natural Resources Defense Council, Jim Lazar, aide to the anti-nuclear Washington State Sen. King Lysen (D-South King's county), and others to a special meeting in New York. The meeting, organized by Charles Noona of L. F. Rothschild to "discuss" WPPSS, marked a turning point in the guerrilla war against WPPSS. On July 24, 1981, Merrill Lynch issued its first negative WPPSS report. Drexel Burnham Lambert's Eileen Titmuss was quoted in the *Wall Street Journal* predicting that 4 and 5 "probably won't be completed." Oregon's anti-nuclear Rep. Jim Weaver (D) came to add fuel to the anti-WPPSS fires on Wall Street. One investment analyst who had been involved since 1978 with Friends of the Earth admitted with satisfaction, "I had no idea our efforts to stop WPPSS would go so far."

With ratepayers being hit with increased melded costs for plants 1, 2, and 3 in the midst of this concerted media and Wall Street war, "grass-roots" operations are demanding that local towns default on debts to 4 and 5 and "let the bondholders eat it." They are feeding discontent over rate increases to pay for the WPPSS nuclear bonds. Until now, the Northwest enjoyed the nation's cheapest electricity from the 1930s hydroelectric dams. Naderite groups like Irate Ratepayers are cleverly pinning inevitable rate rises to charges of mismanagement and the nuclear costs of WPPSS, ignoring the fact that there is no cheaper alternative.